

SELECTING A BENEFICIARY

*What You
Should Consider
and What
TCRS Recommends*

Introduction

Prior to retiring, the most important decision you will make as a TCRS member is who to name as your beneficiary. Although death before retirement is unlikely, who you name is important because you could die suddenly or even be killed in the line-of-duty. Making an informed decision will maximize anything that might be payable to your beneficiary from the pension plan.

You should be careful in selecting a beneficiary because certain death benefits are payable only to a spouse. Line-of-duty death benefits favor the spouse or surviving minor children. Another consideration is whether or not you work for a non-contributory employer. A non-contributory employer pays the required employee contributions on your behalf. Therefore, most who are hired after adoption of the non-contributory provision will never have an account balance in TCRS. **Non-contributory members (members without an account balance) should always name one person and should never name multiple beneficiaries, their estate, or an institutional (non-living) entity as their beneficiary.**

This brochure first lists and defines each of the five types of death benefits provided by TCRS under different conditions. It then offers recommendations on selecting your TCRS beneficiary based upon your own circumstances. Since non-contributory status limits the death benefits available, this section addresses contributory and non-contributory members separately. Finally, the brochure briefly reviews the steps TCRS will take if you die prior to retirement and provides a few final notes of caution applicable to all members.

Death Benefit Plans Defined

Return of Employee Contributions - The member's account balance is refunded. Payment is permitted to multiple beneficiaries, the estate or institutional designees.

Matching Death Benefits (also known as Double Death Benefit) - The member's account balance is doubled. Payment is permitted to multiple beneficiaries, the estate, or institutional designees. Matching death benefits are only paid to those members employed at death or those who die within 150 days of active service and who have not received a refund or retired.

Automatic Option I to Spouse - Available at any age upon completion of 10 years of service, this benefit is calculated as if the member retired on the date of death and selected Option I, the 100% joint survivorship plan. The benefit is reduced by 0.4% for each month the member lacked attainment of service retirement conditions (age 60 or 30 years for Group I, which includes most members). If multiple beneficiaries are named and the spouse is also named, the spouse will first be given the choice to receive the monthly benefit to the exclusion of the other beneficiaries. This plan is available to all state employees and teachers, but is optional for local governments.

In-Service Option I - This benefit is payable to anyone who is eligible for early or service retirement. It is calculated as if the member retired on the date of death. This benefit is payable to any sole beneficiary. If multiple beneficiaries are named and the spouse is also named, the spouse will first be given the choice to receive the monthly benefit to the exclusion of the other beneficiaries.

Line-of-Duty Death - This benefit is payable for life to a surviving spouse or to minor children until age 18 in the event of a member's death while in the actual performance of duty. The benefit amount is up to 50% of the 5-year average final compensation. This plan is available to all state employees and teachers, but is optional to local governments.

Suggested Beneficiary Selections

Contributory Members - Contributory members

are those who have monetary account balances in TCRS. These groups include K-12 teachers (except those in state-operated schools), most local government groups, and non-contributory employees who were in service with an employer when the entity converted to non-contributory status.

Whenever possible, name the spouse as the sole beneficiary. In the event of your death, TCRS will offer the choice between any lump sum payment, monthly benefits or, if applicable, line-of-duty death benefits. It is important to name the spouse because the spouse can receive any of the death benefit plans.

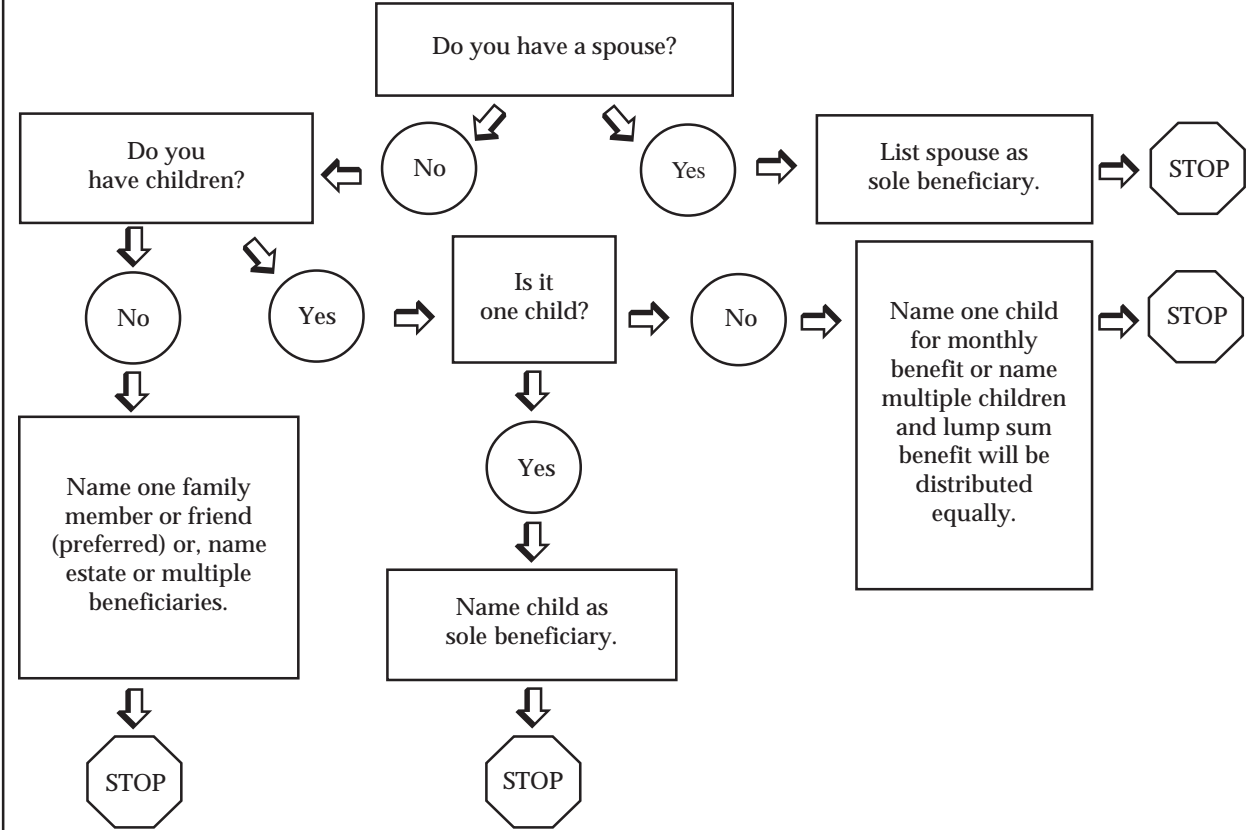
If there is no spouse, try to select one person to receive any available retirement benefits since a sole beneficiary will be offered a choice between the lump sum return of contributions and the In-Service Option I (if eligible). If you feel you cannot do this, then we suggest you name your estate or list the desired beneficiaries. In the event of your death, TCRS will pay the designated beneficiaries the proportionate account balance or double death payment. TCRS cannot pay monthly benefits to estates, institutions, or multiple beneficiaries.

Non-Contributory Members - First, determine whether you have contributions credited to your account. If you were with the employer at the point the non-contributory provision was adopted, you have an account balance with TCRS. If so, refer to the Contributory Members advice in selecting your beneficiary.

If your employer was already non-contributory when you were hired, you must be careful to maximize access to survivor benefits. (The state and all higher education schools became non-contributory on July 1, 1981.) No lump sum benefits are available. Suggested beneficiary decisions are outlined below.

- **If you are married, name your spouse.** If eligible, this will give your spouse access to the

SUGGESTED ELECTIONS FOR CONTRIBUTORY MEMBERS



Automatic Option I, Line-of-Duty Death benefits, or In-Service Option I plan.

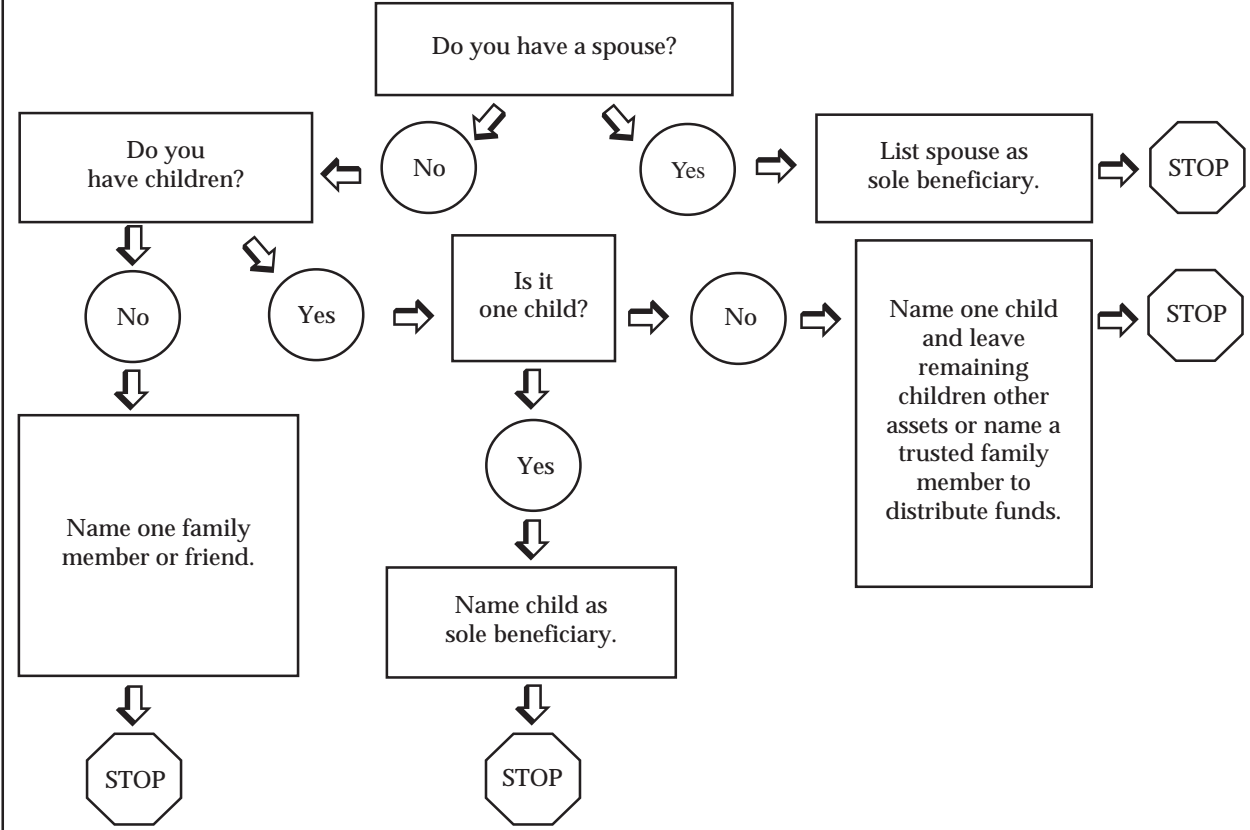
- **If you are single with no children**, name one family member or close friend. The beneficiary would be entitled to the In-Service Option I if you die after meeting early retirement eligibility or possibly the Line-of-Duty Death benefit.
- **If you are single with one child**, name the child. The surviving child would be eligible for the In-Service Option I if you die after meeting early retirement eligibility or possibly the Line-of-Duty Death benefit.
- **If you are single and have more than one child**, try to pick one and leave the remaining

children other assets. If you feel uncomfortable doing this, a common tactic is to name a trusted family member and instruct that person to use any net pension payments for the benefit of your children. The benefits could possibly include the In-Service Option I or a restricted Line-of-Duty Death benefit.

What TCRS Will Do If You Die Before Retirement

When TCRS is notified, information on the available TCRS benefit options will be sent to your designated beneficiary. The beneficiary should choose the most beneficial plan. If you have

SUGGESTED ELECTIONS FOR NON-CONTRIBUTORY MEMBERS



named multiple beneficiaries (no spouse), an institution, or your estate, a lump sum will be paid if you have accumulated a member account balance.

Notes of Caution

- ♦ Any death benefits available from the pension plan do not replace the need to have life insurance to protect your family in the event of your untimely death.
- ♦ Pay attention to the beneficiary designation on your annual statement and update it as your family changes.

- ♦ Keep it simple. TCRS cannot honor requests to pay monthly benefits to estates, institutions, or multiple beneficiaries. Directions to pay other than full portions to all named beneficiaries likewise cannot be honored. All named beneficiaries will receive equal shares of any lump sum payment.

For More Information

TCRS' website: www.treasury.state.tn.us/tcrs.

